

**CITY OF WEST UNION**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2005**

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**City of West Union**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Merlin Dunt	Mayor	January 2006
Tobin Britt	Council Member	January 2006
Dean Petersen	Council Member	January 2006
Robert Gage	Council Member	January 2008
Karen Halva	Council Member	January 2008
Troy Schott	Council Member	January 2008
Martin E. Games	City Clerk/Administrator	January 2006
Melissa Miller	Assistant City Clerk	January 2006
Jeffrey Clements	City Attorney	January 2006

### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Union's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 1, 2005 on our consideration of the City of West Union's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 28 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of West Union's basic financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

September 1, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

City of West Union provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities increased 38.75%, or approximately \$583,000, from fiscal 2004 to fiscal 2005. The increase reflects grant proceeds of \$500,000 and the following revenue sources which had significant increases: Property tax, \$13,000; Tax Increment Finance Collections, \$10,000 and charges for services, \$45,000.
- Disbursements increased 30.81%, or approximately \$590,000, in fiscal 2005 from fiscal 2004. The increase reflects capital projects of \$1,171,000 and increases in the following areas, community development and debt service.
- The City's total cash basis net assets increased 79.78%, or approximately \$560,000 from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities increased approximately \$554,000 and the assets of the business type activities increased by approximately \$6,000. This increase is the result of the receipt of a \$500,000 Iowa CAT Grant.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

#### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial

information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information, which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$420,000 to \$974,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

### Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)

	Year ended June 30,	
	<u>2005</u>	<u>2004</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 198	\$ 220
Operating grants, contributions and restricted interest	228	242
Capital grants, contributions and restricted interest	680	67
General receipts:		
Property tax	805	819
Local option sales tax	144	142
Grants and contributions not restricted to specific purposes	-	9
Unrestricted investment earnings	13	5
Loan proceeds	927	242
Other general receipts	20	-
Transfers, net	<u>44</u>	<u>63</u>
Total receipts and transfers	3,059	1,809
Disbursements:		
Public safety	249	279
Public works	358	362
Health and social services	-	-
Culture and recreation	251	318
Community and economic development	135	18
General government	106	118
Debt Service	235	340
Capital projects	<u>1,171</u>	<u>480</u>
Total disbursements	2,505	1,915
Increase (decrease) in cash basis net assets	554	(106)
Cash basis net assets, beginning of year	<u>420</u>	<u>526</u>
Cash basis net assets, end of year	\$ <u>974</u>	<u>420</u>

The City's total receipts for governmental activities increased by 38.8%, or \$583,000. The total cost of all programs and services increased by approximately \$590,000, or 30.8%, with no new programs added this year. The increase in receipts was primarily the result of proceeds received from loans and grants.

The City lowered its property tax rates for 2005 to \$11.24 per thousand of taxable valuation as compared to \$11.28 in 2004. Property tax receipts are budgeted to increase by \$75,000 next year.

The cost of all governmental activities this year was \$2,504 compared to \$1,915 last year. However, as shown in the Statement of Activities and Net Assets on pages 16, the amount taxpayers ultimately financed for these activities was only \$1.389 million because some of the cost was paid by those directly benefited from the programs (\$198,000) or by other governments and



organizations that subsidized certain programs with grants, contributions and restricted interest (\$908,000).

Changes in Cash Basis Net Assets of Business Type Activities  
(Expressed in Thousands)

	Year ended June 30,	
	<u>2005</u>	<u>2004</u>
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 220	\$ 217
Sewer	239	242
Capital grants, contributions and restricted interest	-	-
General receipts:		
Unrestricted interest on investments	5	3
Bond proceeds	-	-
Other general receipts	<u>2</u>	<u>33</u>
Total receipts	466	495
Disbursements:		
Water	186	176
Sewer	229	174
Transfers	<u>45</u>	<u>63</u>
Total disbursements and transfers	460	413
Increase in cash balance	6	82
Cash basis net assets, beginning of year	<u>282</u>	<u>200</u>
Cash basis net assets, end of year	\$ <u>288</u>	<u>282</u>

Total business type activities receipts for the fiscal year were \$466,000 compared to \$495,000 year. This decrease was due primarily to the one time receipt of \$20,000 realized in 2004 from the private developer. The cash balance increased by \$6,000 from the prior year. Total disbursements and transfers for the fiscal year increased by 11.4% to a total of \$460,000.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND**

As City of West Union completed the year, its governmental funds reported a combined fund balance of \$974,283, an increase of more than \$554,000 above last year's total of 420,143. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$43,493 from the prior year to \$179,960. The majority of this increase was the result of increased revenue at the new aquatic center and cuts in police department budget.
- The Road Use Tax Fund cash balance increased by \$38,176 to \$105,403, during the fiscal year. The City intends to use this money to upgrade equipment in upcoming years.
- The Urban Renewal Tax Increment Fund balance increased \$8,759 to \$13,314. This increase was the result of additional tax increment tax revenues.

- The Debt Service Fund balance increased by \$8,566 to \$30,911. This increase was the result of additional transfers from the Urban Renewal Tax Increment fund to apply to loan payments made for improvements made within the City's Tax Increment Financing districts.
- The Aquatic Center Project cash balance increased \$108,748 from the prior year to \$117,515. This increase was the result of loan proceeds being used for the aquatic center construction.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water Fund cash balance increased by \$18,110 to \$148,002. The City intends to use these funds for further improvements to the water system.

The Sewer Fund cash balance decreased by \$12,145 to \$139,857. The City used these funds to keep the City's sewer system in compliance with state and federal regulations.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on April 18, 2005, and increased revenues for the fiscal year by \$1,450,000 and increased expenditures by \$1,458,600. The beginning cash balance for the fiscal year was increased by \$58,611 to reflect the actual balance on hand on July 1, 2004. A public hearing was held prior to the approval of the budget amendment and no public comments were received during the hearing.

#### **DEBT ADMINISTRATION**

At June 30, 2005, the City had approximately \$1,446,709 in bonds and other long-term debt, compared to approximately \$726,975 last year, as shown below.

Outstanding Debt at Year-End  
(Expressed in Thousands)

	Year ended June 30,	
	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 92	312
Revenue notes	1,355	265
Local Option Tax Bond		
Anticipatory note	-	150
Total	<u>\$ 1,447</u>	<u>727</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$92,000 only represents 2.0% of its constitutional debt limit of \$4,507,000.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

West Union elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for various City activities. Budgeted revenues are \$2,153,348 and expenditures are set at \$2,260,770. If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$108,000 by the close of 2006.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Martin Games, City Clerk, 612 Highway 150 South, West Union, Iowa 52175.

**City of West Union**

## **Basic Financial Statements**

## City of West Union

## Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2005

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 248,540	24,841	-	-
Public works	358,248	119,454	211,939	-
Health and social services	338	3,405	-	960
Culture and recreation	250,716	42,329	14,009	678,816
Community and economic development	135,380	-	-	-
General government	105,794	7,900	2,213	-
Debt service	234,560	-	-	-
Capital projects	1,171,332	-	-	-
Total governmental activities	2,504,908	197,929	228,161	679,776
Business type activities:				
Water	163,114	219,732	-	-
Sewer	229,378	239,321	-	-
Total business type activities	392,492	459,053	-	-
Total	\$ 2,897,400	656,982	228,161	679,776
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Other city tax				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Urban renewal projects				
Debt Service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(223,699)	-	(223,699)
(26,855)	-	(26,855)
4,027	-	4,027
484,438	-	484,438
(135,380)	-	(135,380)
(95,681)	-	(95,681)
(234,560)	(23,258)	(257,818)
(1,171,332)	-	(1,171,332)
(1,399,042)	(23,258)	(1,422,300)
-	56,618	56,618
-	9,943	9,943
-	66,561	66,561
(1,399,042)	43,303	(1,355,739)
593,871	-	593,871
189,400	-	189,400
273	-	273
144,484	-	144,484
21,706	-	21,706
12,858	5,020	17,878
927,000	-	927,000
19,370	1,944	21,314
44,220	(44,220)	-
1,953,182	(37,256)	1,915,926
554,140	6,047	560,187
420,143	281,880	702,023
\$ 974,283	287,927	1,262,210
1,322	-	1,322
13,314	-	13,314
31,911	39,468	71,379
81,740	-	81,740
845,996	248,459	1,094,455
\$ 974,283	287,927	1,262,210

City of West Union  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2005

		Special Revenue	
	General	Road Use Tax	State Grants
Receipts:			
Property tax	\$ 472,784	-	-
Tax increment financing collections	-	-	-
Other city tax	21,706	-	-
Licenses and permits	8,135	-	-
Use of money and property	8,004	-	-
Intergovernmental	13,825	211,939	-
Charges for service	189,535	-	-
Miscellaneous	11,762	3,870	400,000
Total receipts	725,751	215,809	400,000
Disbursements:			
Operating:			
Public safety	198,259	-	-
Public works	180,532	177,633	-
Health and social services	338	-	-
Culture and recreation	213,136	-	-
Community and economic development	13,201	-	109,500
General government	80,994	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	686,460	177,633	109,500
Excess (deficiency) of receipts over (under) disbursements	39,291	38,176	290,500
Other financing sources (uses):			
Bond proceeds	-	-	-
Operating transfers in	19,568	-	-
Operating transfers out	(15,366)	-	-
Total other financing sources (uses)	4,202	-	-
Net change in cash balances	43,493	38,176	290,500
Cash balances beginning of year	136,467	67,227	-
Cash balances end of year	\$ 179,960	105,403	290,500
<b>Cash Basis Fund Balances</b>			
Reserved for:			
Debt service	-	-	-
Unreserved:			
General fund	\$ 179,960	-	-
Special revenue funds	-	105,403	290,500
Capital projects fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 179,960	105,403	290,500

See notes to financial statements



Capital Projects Aquatic Center	Other Nonmajor Governmental Funds	Total
-	121,360	594,144
-	189,400	189,400
-	144,484	166,190
-	-	8,135
572	5,242	13,818
-	-	225,764
-	259	189,794
267,930	17,021	700,583
268,502	477,766	2,087,828
-	50,281	248,540
-	83	358,248
-	-	338
-	37,580	250,716
-	12,679	135,380
-	24,800	105,794
-	234,560	234,560
1,148,325	23,007	1,171,332
1,148,325	382,990	2,504,908
(879,823)	94,776	(417,080)
927,000	-	927,000
61,571	295,202	376,341
-	(316,755)	(332,121)
988,571	(21,553)	971,220
108,748	73,223	554,140
8,767	207,682	420,143
117,515	280,905	974,283
-	30,911	30,911
-	-	179,960
-	166,932	562,835
117,515	1,322	118,837
-	81,740	81,740
117,515	280,905	974,283

City of West Union

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2005

<b>Total governmental funds cash balances (page 17)</b>	\$974,283
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Cash basis net assets of governmental activities (page 15)</b>	<u><u>\$974,283</u></u>
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<b>Net change in cash balances (page 17)</b>	\$554,140
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Change in cash balance of governmental activities (page 15)</b>	<u><u>\$554,140</u></u>
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See notes to financial statements

## City of West Union

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2005

	Enterprise Funds				Internal Service
	Water	Sewer	Other Nonmajor Proprietary Fund: Water Revenue Bond Sinking	Total	
Operating receipts:					
Use of money and property	\$ 2,532	2,488	-	5,020	-
Charges for service	219,732	239,321	-	459,053	-
Miscellaneous	-	1,944	-	1,944	-
Total operating receipts	222,264	243,753	-	466,017	-
Operating disbursements:					
Business type activities	163,114	229,378	-	392,492	-
Total operating disbursements	163,114	229,378	-	392,492	-
Excess (deficiency) of operating receipts over (under) operating disbursements	59,150	14,375	-	73,525	-
Non-operating receipts (disbursements):					
Debt service	-	-	(23,258)	(23,258)	-
Total non-operating receipts (disbursements)	-	-	(23,258)	(23,258)	-
Excess (deficiency) of receipts over (under) disbursements	59,150	14,375	(23,258)	50,267	-
Operating transfers in/(out)	(41,040)	(26,520)	23,340	(44,220)	-
Net change in cash balances	18,110	(12,145)	82	6,047	-
Cash balances beginning of year	91,125	152,002	38,685	281,812	68
Cash balances end of year	\$ 109,235	139,857	38,767	287,859	68
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ 667	-	38,767	39,434	-
Unreserved	108,568	139,857	-	248,425	68
Total cash basis fund balances	\$ 109,235	139,857	38,767	287,859	68

See notes to financial statements

## City of West Union

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Proprietary Funds

As of and for the year ended June 30, 2005

<b>Total enterprise funds cash balances (page 19)</b>	\$287,859
Internal Service Fund - Payroll	<u>68</u>
<b>Cash basis net assets of business type activities (page 15)</b>	<u><u>\$287,927</u></u>
<b>Net change in cash balances (page 19)</b>	\$ 6,047
Internal Service Fund - Payroll	<u>-</u>
<b>Change in cash balance of business type activities (page 15)</b>	<u><u>\$ 6,047</u></u>

See notes to financial statements



City of West Union  
Notes to Financial Statements  
June 30, 2005

**(1) Summary of Significant Accounting Policies**

The City of West Union is a political subdivision of the State of Iowa located in Fayette County. It was first incorporated in 1857 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of West Union has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fayette County Solid Waste Management Commission, Fayette County Emergency Management Commission, Fayette County Joint E911 Service Board, Fayette County Economic Development Board, Upper Explorerland Regional Housing Authority, and West Union Industrial Development Corporation.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and

intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The State Grants Fund is used to account for state monies granted to the City. In the current fiscal year, the City was the recipient of a Community and Attractions Grant for their new aquatic center.

The Capital Projects – Aquatic Center Fund is utilized to account for all resources used in the construction of a new pool facility.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional fund:

An Internal Service Fund is utilized to account for payroll and related benefits by departments of the City.

C. Measurement Focus and Basis of Accounting

The City of West Union maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005 disbursements did not exceed the amounts budgeted for each function.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
U.S. government securities	\$400,000	\$400,000	October 13, 2005



**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 67,000	4,320	10,780	12,466	77,780	16,786
2007	25,000	1,063	11,319	11,913	36,319	12,976
2008	-	-	11,885	11,333	11,885	11,333
2009	-	-	12,479	10,724	12,479	10,724
2010 - 2021	-	-	208,246	68,413	208,246	68,413
Total	\$ 92,000	5,383	254,709	114,849	346,709	120,232

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The resolutions providing for the issuance of the water revenue note include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking fund account for the purpose of making the bond principal and interest payments when due.

The City has issued Local Option Sales Tax Revenue Bonds during the year in the amount of \$1,100,000 at a rate of 4% per annum from June 27, 2005 until maturity on March 1, 2015. The payments are to be made in an amount equal to 80% of the Local Option Sales Tax revenues collected by the City. There is no pre-established payment schedule for these bonds because revenues from the Local Option Sales Tax are uncertain as to amount.

The City has passed a resolution to internally borrow funds from available account balances at a rate of 5% per annum. During the fiscal year ended June 30, 2002, the Street Improvement Fund loaned the Tax Increment Financing Fund \$94,500 for a street improvement project within the commercial TIF district. No payments have been made on this interfund loan during the year. The first payment is expected to be made during the next fiscal year.

**(4) Lease Purchase Agreement**

The City entered into a lease purchase agreement with Baumler Implements, Inc. for a New Holland tractor. The lease purchase arrangement is for six years beginning March 26, 2001. The City traded in an old tractor for the initial lease payment, with \$7,000 being paid each year during the fiscal years ended July 1, 2002 through July 1, 2005. There is a \$36,769 buyout at the end of the lease period on July 1, 2006.

The City entered into a lease purchase agreement for a copier. The lease purchase arrangement is for five years beginning August 26, 2002, and the payments are \$59.90 per month, or \$718.80 annually. At the end of the lease the copier can be purchased for \$140.

The City entered into an operating lease with Hawkeye Alarm & Signal Company for two alarm receiving panels. The lease ran for three years, from January 1, 1987 to January 1, 1989 and thereafter until written notice is given by either party 30 days prior to the date of desired termination. The City pays \$84 per alarm, or \$168 annually.

Year ended June 30, 2006	7,887
June 30, 2007	887
June 30, 2008	288

**(5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$32,158, \$32,920, 33,451 respectively, equal to the required contributions for each year.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation leave hours. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	<u>\$ 33,245</u>

This liability has been computed based on rates of pay in effect at June 30, 2005.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue Emergency	\$4,202
Special Revenue Library	Special Revenue LOST	24,553
Debt Service	Special Revenue LOST	29,180
Capital Projects Street Improvement Aquatic Center	Special Revenue LOST	29,180 61,571
Debt Service	Special Revenue Urban Renewal TIF	168,069
Debt Service	Enterprise Water Sewer	17,700 26,520

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$5,688 during the year ended June 30, 2005.

**(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Construction in Progress and Subsequent Events**

The city has constructed a new aquatic center during the year. The total cost of the project was \$1,342,035, with \$158,375 paid for in the prior fiscal year, and \$1,050,298 paid for in the current year. The final payment of \$133,362 was made during the next fiscal year. The project was funded with a combination of private donations, state grant funds, and Local Option Sales Tax Revenue Bonds.

**(11) State Grants**

In partnership with the West Union Recreation Foundation, the City applied for and received a \$500,000 Community and Attractions Tourism Grant from the Vision Iowa Board. Of the total grant, \$100,000 was for a new City owned aquatic center and \$400,000 was for a new recreation area surrounding the aquatic center, which is owned and operated by the Recreation Foundation. The entire amount of the grant was given to the City, and they are acting as a fiscal agent in disbursing the funds to the Foundation, per the guidelines set forth by the Vision Iowa board. As of June 30, 2005, \$109,500 had been disbursed to the Foundation, with a remaining balance of \$290,500 left to be disbursed. The accounting for this flow through activity is recorded as a Special Revenue Fund – State Grants, in Exhibit B of the statement.

**Required Supplementary Information**

City of West Union  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 594,144	-	-
Tax increment financing collections	189,400	-	-
Other city tax	166,190	-	-
Licenses and permits	8,135	-	-
Use of money and property	13,818	5,020	-
Intergovernmental	225,764	-	-
Charges for service	189,794	459,053	-
Miscellaneous	700,583	1,944	-
Total receipts	<u>2,087,828</u>	<u>466,017</u>	<u>-</u>
Disbursements:			
Public safety	248,540	-	-
Public works	358,248	-	-
Health and social services	338	-	-
Culture and recreation	250,716	-	-
Community and economic development	135,380	-	-
General government	105,794	-	-
Debt service	234,560	-	-
Capital projects	1,171,332	-	-
Business type activities	-	415,750	-
Total disbursements	<u>2,504,908</u>	<u>415,750</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(417,080)	50,267	-
Other financing sources (uses), net	<u>971,220</u>	<u>(44,220)</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	554,140	6,047	-
Balances beginning of year	<u>420,143</u>	<u>281,812</u>	<u>-</u>
Balances end of year	<u>\$ 974,283</u>	<u>287,859</u>	<u>-</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
594,144	566,435	566,435	27,709
189,400	179,400	179,400	10,000
166,190	202,775	202,775	(36,585)
8,135	7,300	7,300	835
18,838	11,270	11,270	7,568
225,764	245,925	745,925	(520,161)
648,847	608,600	608,600	40,247
702,527	234,360	234,360	468,167
2,553,845	2,056,065	2,556,065	(2,220)
248,540	296,600	278,600	30,060
358,248	356,775	371,375	13,127
338	400	400	62
250,716	262,190	263,190	12,474
135,380	39,300	439,300	303,920
105,794	106,310	107,310	1,516
234,560	235,090	235,090	530
1,171,332	300,000	1,323,000	151,668
415,750	378,885	418,885	3,135
2,920,658	1,975,550	3,437,150	516,492
(366,813)	80,515	(881,085)	514,272
927,000	-	950,000	(23,000)
560,187	80,515	68,915	491,272
701,955	760,634	702,023	(68)
1,262,142	841,149	770,938	491,204

City of West Union

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,461,600. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.



### **Other Supplementary Information**

## City of West Union

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Special Revenue			
	Urban Renewal Tax Increment	Employee Benefits	Emergency	Library
Receipts:				
Property tax	\$ -	116,885	4,202	-
Tax increment financing	189,400	-	-	-
Other city tax	-	-	-	-
Use of money and property	107	295	-	873
Intergovernmental	-	-	-	-
Charges for services	-	-	-	259
Miscellaneous	-	615	-	13,283
Total receipts	189,507	117,795	4,202	14,415
Disbursements:				
Operating:				
Public safety	-	50,281	-	-
Public works	-	83	-	-
Health and social services	-	-	-	-
Culture and recreation	-	33,464	-	4,116
Community and economic developemnt	12,679	-	-	-
General government	-	24,800	-	-
Debt Service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	12,679	108,628	-	4,116
Excess (deficiency) of receipts over (under) disbursements	176,828	9,167	4,202	10,299
Other financing sources:				
Operating transfers in/(out)	(168,069)	-	(4,202)	24,553
Net change in cash balances	8,759	9,167	-	34,852
Cash balances beginning of year	4,555	17,821	-	53,574
Cash balances end of year	\$ 13,314	26,988	-	88,426
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ 13,314	26,988	-	88,426
Debt service	-	-	-	-
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 13,314	26,988	-	88,426

See accompanying independent auditor's report

				Capital Projects	Permanent		
Cemetery	Local Option Sales Tax	Debt Service	Street Improvements	Cemetery Mausoleum	Cemetery Perpetual Care	Total	
-	-	273	-	-	-	121,360	
-	-	-	-	-	-	189,400	
-	144,484	-	-	-	-	144,484	
1,623	-	1,384	-	-	960	5,242	
-	-	-	-	-	-	-	
-	-	-	-	-	-	259	
-	-	-	3,123	-	-	17,021	
1,623	144,484	1,657	3,123	-	960	477,766	
-	-	-	-	-	-	50,281	
-	-	-	-	-	-	83	
-	-	-	-	-	-	-	
-	-	-	-	-	-	37,580	
-	-	-	-	-	-	12,679	
-	-	-	-	-	-	24,800	
-	-	234,560	-	-	-	234,560	
-	-	-	23,007	-	-	23,007	
-	-	234,560	23,007	-	-	382,990	
1,623	144,484	(232,903)	(19,884)	-	960	94,776	
-	(144,484)	241,469	29,180	-	-	(21,553)	
1,623	-	8,566	9,296	-	960	73,223	
36,581	-	22,345	(7,974)	10,000	70,780	207,682	
38,204	-	30,911	1,322	10,000	71,740	280,905	
38,204	-	-	-	-	-	166,932	
-	-	30,911	-	-	-	30,911	
-	-	-	1,322	-	-	1,322	
-	-	-	-	10,000	71,740	81,740	
38,204	-	30,911	1,322	10,000	71,740	280,905	

City of West Union  
Schedule of Indebtedness  
Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Corporate purpose note	June 1, 2000	5.25%	\$ 240,000
Corporate purpose note	Sept 1, 2000	5.25%	225,000
Municipal building note	Dec 1, 2003	4.25%	92,000
Revenue bonds:			
Water	Dec 1, 1981	5.00%	396,600
Local option sales tax	June 27, 2005	4.00%	1,100,000

See accompanying independent auditor's report

**Schedule 2**

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
80,000	-	40,000	40,000	4,200	-
155,000	-	154,000	1,000	7,088	-
77,000	-	26,000	51,000	3,272	-
<u>\$ 312,000</u>	<u>-</u>	<u>220,000</u>	<u>92,000</u>	<u>14,560</u>	<u>-</u>
264,975	-	10,266	254,709	12,992	-
150,000	950,000	-	1,100,000	-	-
<u>\$ 414,975</u>	<u>950,000</u>	<u>10,266</u>	<u>1,354,709</u>	<u>12,992</u>	<u>-</u>

**Schedule 3**

## City of West Union

## Bond and Note Maturities

June 30, 2005

Year Ending June 30,	General Obligation Bonds						
					Municipal		Total
	Corporate Purpose		Corporate Purpose		Building		
	Issued June 1, 2000		Issued Sept 1, 2000		Issued Dec 1, 2003		
	Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount		
2006	5.25%	\$40,000	5.25%	1,000	4.25%	26,000	67,000
2007		-		-		25,000	25,000
Total		\$40,000		1,000		51,000	92,000

Year Ending June 30,	Revenue Bonds and Notes				
	Water		LOST		
	Issued		Issued June 27, 2005		
	Interest		Interest		Total
	Rates	Amount	Rates	Amount	
2006	5.00	10,780	4.00	110,000	120,780
2007	5.00	11,319	4.00	110,000	121,319
2008	5.00	11,885	4.00	110,000	121,885
2009	5.00	12,479	4.00	110,000	122,479
2010 - 2021	5.00	208,246	4.00	660,000	868,246
Total		254,709		1,100,000	1,354,709

See accompanying independent auditor's report

## City of West Union

Schedule of Receipts by Source and Disbursements By Function  
All Governmental Funds

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:			
Property tax	\$ 594,144	581,750	589,872
Tax increment financing	189,400	178,698	177,693
Other city tax	166,190	192,585	208,945
Licenses and permits	8,135	7,526	6,305
Use of money and property	13,818	11,419	28,602
Intergovernmental	225,764	257,676	404,551
Charges for service	189,794	144,773	157,216
Miscellaneous	<u>700,583</u>	<u>130,341</u>	<u>87,592</u>
Total	<u>\$ 2,087,828</u>	<u>1,504,768</u>	<u>1,660,776</u>
Disbursements:			
Operating:			
Public safety	\$ 248,540	278,575	399,565
Public works	358,248	362,200	417,556
Health and social services	338	280	300
Culture and recreation	250,716	318,031	310,812
Community and economic development	135,380	18,055	16,678
General government	105,794	117,976	109,628
Debt service	234,560	339,885	428,524
Capital projects	<u>1,171,332</u>	<u>480,316</u>	<u>171,269</u>
Total	<u>\$ 2,504,908</u>	<u>1,915,318</u>	<u>1,854,332</u>

See accompanying independent auditor's report

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing  
Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Union, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 1, 2005. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Union's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of West Union's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05, II-B-05, II-C-05, and II-D-05 are material weaknesses.



#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Union's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of West Union and other parties to whom the City of West Union may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Union during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

September 1, 2005

City of West Union  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of West Union was not granted federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2005.

City of West Union  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- II-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-05 Vehicle Usage Policy – The City does not maintain a formal policy regarding the use of City owned vehicles by employees.

Recommendation – The City should adopt a formal policy regarding vehicle usage.

Response – The City will consider adopting a policy.

Conclusion – Response accepted.

- II-C-05 Investments – The City was the recipient of a stock donation upon the death of a citizen. The stock donation was never recorded on the City's books. The stock is also in violation of the City's investment policy.

Recommendation – The City should redeem the stock and invest the monies in an investment that complies with the investment policy. The donation should also be recorded as revenue on the City's accounting system.

Response – The City will look into this.

Conclusion – Response accepted.

City of West Union

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

II-D-05 Separately Maintained Records – The Park and Recreation Department has a separate checking account to account for donations, sponsorships, and other monies the department receives. The account is maintained by the park and recreation department and is not a part of the City Clerk’s accounting system.

Recommendation – Chapter 384.20 of the Code of Iowa states in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property.” This account should be remitted to the City Clerk or, at a minimum, the financial accounting should be provided and integrated into the City’s accounting system.

Response – The City will look into this and attempt to integrate the account into the City’s accounting system.

Conclusion – Response accepted.

City of West Union  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

**Part III: Other Findings Related to Statutory Reporting:**

III-A-05 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

III-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the capital projects function prior to budget amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended before disbursements were allowed to exceed the budget.

Response – The aquatic center capital project went over budget before the City did a formal amendment. In the future the City will try to amend the budget before disbursements exceed budgeted amounts.

Conclusion – Response accepted.

III-C-05 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-05 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Robert Gage, Council Member, Owner of Gage & Gage	Plumbing & well repairs, furnace down payment	\$ 5,667
Metro Signs, City Employee, Owner of Metro Signs	signage	21

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with Metro Signs does not appear to represent a conflict of interest since the total transaction with the individual was less than \$1,500 during the fiscal year.

The transaction exceeding \$1,500 may represent a conflict of interest.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will contact its legal counsel.

City of West Union  
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Conclusion – Response accepted.

- III-E-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- III-F-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish the minutes as required.

Response – We will comply with the Code requirements and publish the minutes as required.

Conclusion – Response accepted.

- III-G-05 Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.

- III-H-05 Financial Condition – The City did not have any funds that had a deficit balance at June 30, 2005.

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City of West Union

Staff

This audit was performed by:

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